

ASSEMBLY BILL

No. 2696

Introduced by Committee on Utilities and Commerce (Assembly Members Bradford (Chair), Buchanan, Fong, Fuentes, Furutani, Roger Hernández, Huffman, Ma, Nestande, Skinner, and Swanson)

March 19, 2012

An act to amend Sections 398.4, 399.20, 399.22, 2775.6, 2827, and 2851 of, and to amend and renumber Sections 387.5, 387.6, and 387.8 of, the Public Utilities Code, relating to energy.

LEGISLATIVE COUNSEL'S DIGEST

AB 2696, as introduced, Committee on Utilities and Commerce. Energy.

(1) Under existing law, the Public Utilities Commission (PUC) has regulatory authority over public utilities, including electrical corporations, as defined. Decisions of the PUC adopted the California Solar Initiative. Existing law requires the PUC to undertake certain steps in implementing the California Solar Initiative. Existing law requires the governing body of a local publicly owned electric utility that sells electricity at retail to adopt, implement, and finance a solar initiative program for the purpose of investing in, and encouraging the increased installation of, residential and commercial solar energy systems.

This bill would move the above-described requirements for local publicly owned electric utilities from an area of the Public Utilities Code pertaining to electrical restructuring, to the area of the code pertaining to the implementation of the California Solar Initiative.

(2) Existing law requires a local publicly owned electric utility that sells electricity at retail to 75,000 or more customers to adopt and implement a tariff for electricity purchased from an electric generation facility meeting certain size, deliverability, and interconnection requirements and to consider certain factors. Existing law requires the local publicly owned electric utility to make the tariff available to owners and operators of an electric generation facility within the service territory of the utility, upon request, on a first-come-first-served basis, until the utility meets its proportionate share of a statewide cap of 750 megawatts cumulative rated generation capacity served under the feed-in tariffs adopted pursuant to the above-described requirements. Existing law provides that the electricity purchased from an electric generation facility counts toward meeting the local publicly owned electric utility's renewables portfolio standard annual procurement targets.

This bill would move this requirement to that portion of the Public Utilities Code concerning the California Renewables Portfolio Standard Program. The bill would make other technical and nonsubstantive changes.

(3) The bill would make other conforming and corrective changes.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 387.5 of the Public Utilities Code is
2 amended and renumbered to read:
3 ~~387.5.~~
4 2854. (a) In order to further the state goal of encouraging the
5 installation of 3,000 megawatts of photovoltaic solar energy in
6 California within 10 years, the governing body of a local publicly
7 owned electric utility that sells electricity at retail, shall adopt,
8 implement, and finance a solar initiative program, funded in
9 accordance with subdivision (b), for the purpose of investing in,
10 and encouraging the increased installation of, residential and
11 commercial solar energy systems.
12 (b) On or before January 1, 2008, a local publicly owned electric
13 utility shall offer monetary incentives for the installation of solar
14 energy systems of at least two dollars and eighty cents (\$2.80) per
15 installed watt, or for the electricity produced by the solar energy
16 system, measured in kilowatthours, as determined by the governing

board of a local publicly owned electric utility, for photovoltaic solar energy systems. The incentive level shall decline each year thereafter at a rate of no less than an average of 7 percent per year.

(c) A local publicly owned electric utility shall initiate a public proceeding to fund a solar energy program to adequately support the goal of installing 3,000 megawatts of photovoltaic solar energy in California. The proceeding shall determine what additional funding, if any, is necessary to provide the incentives pursuant to subdivision (b). The public proceeding shall be completed and the comprehensive solar energy program established by January 1, 2008.

(d) The solar energy program of a local publicly owned electric utility shall be consistent with all of the following:

(1) That a solar energy system receiving monetary incentives comply with the eligibility criteria, design, installation, and electrical output standards or incentives established by the State Energy Resources Conservation and Development Commission pursuant to Section 25782 of the Public Resources Code.

(2) That solar energy systems receiving monetary incentives are intended primarily to offset part or all of the consumer's own electricity demand.

(3) That all components in the solar energy system are new and unused, and have not previously been placed in service in any other location or for any other application.

(4) That the solar energy system has a warranty of not less than 10 years to protect against defects and undue degradation of electrical generation output.

(5) That the solar energy system be located on the same premises of the end-use consumer where the consumer's own electricity demand is located.

(6) That the solar energy system be connected to the electric utility's electrical distribution system within the state.

(7) That the solar energy system has meters or other devices in place to monitor and measure the system's performance and the quantity of electricity generated by the system.

(8) That the solar energy system be installed in conformance with the manufacturer's specifications and in compliance with all applicable electrical and building code standards.

(e) A local publicly owned electric utility shall, on an annual basis beginning June 1, 2008, make available to its customers, to

1 the Legislature, and to the State Energy Resources Conservation
2 and Development Commission, information relating to the utility's
3 solar initiative program established pursuant to this section,
4 including, but not limited to, the number of photovoltaic solar
5 watts installed, the total number of photovoltaic systems installed,
6 the total number of applicants, the amount of incentives awarded,
7 and the contribution toward the program goals.

8 (f) In establishing the program required by this section, no
9 moneys shall be diverted from any existing programs for
10 low-income ratepayers, or from cost-effective energy efficiency
11 or demand response programs.

12 (g) The statewide expenditures for solar programs adopted,
13 implemented, and financed by local publicly owned electric utilities
14 shall be seven hundred eighty-four million dollars (\$784,000,000).
15 The expenditure level for each local publicly owned electric utility
16 shall be based on that utility's percentage of the total statewide
17 load served by all local publicly owned electric utilities.
18 Expenditures by a local publicly owned electric utility may be less
19 than the utility's cap amount, provided that funding is adequate to
20 provide the incentives required by subdivisions (a) and (b).

21 SEC. 2. Section 387.6 of the Public Utilities Code is amended
22 and renumbered to read:

23 ~~387.6.~~

24 399.32. (a) It is the policy of the state and the intent of the
25 Legislature to encourage electrical generation from eligible
26 renewable energy resources.

27 (b) As used in this section, "electric generation facility" means
28 an electric generation facility located within the service territory
29 of, and developed to sell electricity to, a local publicly owned
30 electric utility, and that meets all of the following criteria:

31 (1) Has an effective capacity of not more than three megawatts.

32 (2) Is interconnected and operates in parallel with the electrical
33 transmission and distribution grid.

34 (3) Is strategically located and interconnected to the electrical
35 transmission and distribution grid in a manner that optimizes the
36 deliverability of electricity generated at the facility to load centers.

37 (4) Is an eligible renewable energy resource pursuant to ~~Article~~
38 ~~16 (commencing with Section 399.11)~~ *this article*.

1 (c) A local publicly owned electric utility that sells electricity
2 at retail to 75,000 or more customers shall adopt a standard tariff
3 for electricity purchased from an electric generation facility.

4 (d) The governing board of the local publicly owned electric
5 utility shall ensure that the tariff adopted pursuant to subdivision
6 (c) reflects the value of every kilowatthour of electricity generated
7 on a time-of-delivery basis. The governing board may adjust this
8 value based on the other attributes of renewable generation. The
9 governing board shall ensure, with respect to rates and charges,
10 that ratepayers that do not receive service pursuant to the tariff are
11 indifferent to whether a ratepayer with an electric generation
12 facility receives service pursuant to the tariff.

13 (e) A local publicly owned electric utility that sells electricity
14 at retail to 75,000 or more customers shall make the tariff available
15 to the owner or operator of an electric generation facility within
16 the service territory of the utility, upon request, on a
17 first-come-first-served basis, until the utility meets its proportionate
18 share of a statewide cap of 750 megawatts cumulative rated
19 generation capacity served under this section and Section 399.20.
20 The proportionate share shall be calculated based on the ratio of
21 the utility's peak demand compared to the total statewide peak
22 demand.

23 (f) The local publicly owned electric utility may make the terms
24 of the tariff available to owners and operators of an electric
25 generation facility in the form of a standard contract.

26 (g) Every kilowatthour of electricity purchased from an electric
27 generation facility shall count toward meeting the local publicly
28 owned electric utility's renewables portfolio standard annual
29 procurement targets for purposes of Section ~~387~~ 399.30.

30 (h) (1) A local publicly owned electric utility may establish
31 performance standards for any electric generation facility that has
32 a capacity greater than one megawatt to ensure that those facilities
33 are constructed, operated, and maintained to generate the expected
34 annual net production of electricity and do not impact system
35 reliability.

36 (2) A local publicly owned electric utility may reduce the three
37 megawatt capacity limitation of paragraph (1) of subdivision (b)
38 if the utility finds that a reduced capacity limitation is necessary.

39 (i) Within 10 days of receipt of a request for a tariff pursuant
40 to this section from an owner or operator of an electric generation

1 facility, the local publicly owned electric utility that receives the
2 request shall post a copy of the request on its Internet Web site.
3 The information posted on the Internet Web site shall include the
4 name of the city in which the facility is located, but information
5 that is proprietary and confidential, including, but not limited to,
6 address information beyond the name of the city in which the
7 facility is located, shall be redacted.

8 (j) A local publicly owned electric utility may deny a tariff
9 request pursuant to this section if the local publicly owned electric
10 utility makes any of the following findings:

11 (1) The electric generation facility does not meet the
12 requirements of this section.

13 (2) The transmission or distribution grid that would serve as the
14 point of interconnection is inadequate.

15 (3) The electric generation facility does not meet all applicable
16 state and local laws and building standards, and utility
17 interconnection requirements.

18 (4) The aggregate of all electric generating facilities on a
19 distribution circuit would adversely impact utility operation and
20 load restoration efforts of the distribution system.

21 (k) Upon receiving a notice of denial from a local publicly
22 owned electric utility, the owner or operator of the electric
23 generation facility denied a tariff pursuant to this section shall have
24 the right to appeal that decision to the governing board of the local
25 publicly owned electric utility.

26 (l) In order to ensure the safety and reliability of electric
27 generation facilities, the owner of an electric generation facility
28 receiving a tariff pursuant to this section shall provide an inspection
29 and maintenance report to the local publicly owned electric utility
30 at least once every other year. The inspection and maintenance
31 report shall be prepared at the owner's or operator's expense by a
32 ~~California-licensed~~ *California-licensed* contractor who is not the
33 owner or operator of the electric generation facility. A ~~California~~
34 ~~licensed~~ *California-licensed* electrician shall perform the inspection
35 of the electrical portion of the generation facility.

36 (m) The contract between the electric generation facility
37 receiving the tariff and the local publicly owned electric utility
38 shall contain provisions that ensure that construction of the electric
39 generating facility complies with all applicable state and local laws
40 and building standards, and utility interconnection requirements.

1 (n) (1) All construction and installation of facilities of the local
2 publicly owned electric utility, including at the point of the output
3 meter or at the transmission or distribution grid, shall only be
4 performed by that local publicly owned electric utility.

5 (2) All interconnection facilities installed on the local publicly
6 owned electric utility's side of the transfer point for electricity
7 between the local publicly owned electric utility and the electrical
8 conductors of the electric generation facility shall be owned,
9 operated, and maintained only by the local publicly owned electric
10 utility. The ownership, installation, operation, reading, and testing
11 of revenue metering equipment for electric generating facilities
12 shall ~~only~~ be performed *only* by the local publicly owned electric
13 utility.

14 SEC. 3. Section 387.8 of the Public Utilities Code is amended
15 and renumbered to read:

16 387.8:

17 2855. Notwithstanding paragraphs (2) and (5) of subdivision
18 (d) of Section ~~387.5~~ 2854, a local publicly owned electric utility
19 may adopt, implement, and finance a solar initiative program
20 otherwise in accordance with that section, using monetary
21 incentives authorized by subdivision (b) of Section ~~387.5~~ 2854,
22 to residential and business consumers where consumers offset part
23 or all of their electricity demand with electricity generated by a
24 solar energy system not located on the premises of the consumer,
25 if all of the following requirements are met:

26 (a) The solar energy system meets all of the following
27 conditions:

28 (1) It is located within the service territory of the local publicly
29 owned electric utility.

30 (2) It has a capacity of no more than five megawatts.

31 (3) It is interconnected to the local publicly owned electric
32 utility's system at the distribution level.

33 (b) The local publicly owned electric utility meets all of the
34 following conditions:

35 (1) It provides monetary incentives authorized by Section ~~387.5~~
36 2854 for not more than the first megawatt of generating capacity
37 of each solar energy system.

38 (2) It has contracted to purchase the total electricity produced
39 by the solar energy system or owns the solar energy system.

(3) It provides no greater incentive per watt for the solar energy system than provided for by systems that participate in the applicable solar initiative program established under Section ~~387.5~~ 2854.

(4) It has received approval for the solar energy system from its governing board at a publicly noticed and held meeting.

(c) The total megawatt capacity of solar energy systems eligible for a local publicly owned electric utility program under this section is both of the following:

(1) Not more than the total megawatt capacity of the combined residential and commercial solar energy systems installed in the service area of the local publicly owned electric utility after July 1, 2010, that participate in the applicable solar initiative programs established under Section ~~387.5~~ 2854.

(2) Not more than 20 percent of the proportionate amount for the local publicly owned electric utility of the overall 3,000 megawatt state goal set forth in Section ~~387.5~~ 2854, based on the percentage of the total statewide load served by that entity.

SEC. 4. Section 398.4 of the Public Utilities Code is amended to read:

398.4. (a) Every retail supplier that makes an offering to sell electricity that is consumed in California shall disclose its electricity sources for the previous calendar year.

(b) The disclosures required by this section shall be made to potential end-use consumers in all product-specific written promotional materials that are distributed to consumers by either printed or electronic means, including the retail supplier's Internet Web site, if one exists, except that advertisements and notices in general circulation media shall not be subject to this requirement.

(c) The disclosures required by this section shall be made annually to end-use consumers of the offered electricity. The annual disclosure shall be made by the end of the first complete billing cycle for the third quarter of the year, and shall be consistent with information provided to the Energy Commission pursuant to Section 398.5.

(d) The disclosures required by this section shall be made separately for each offering made by the retail supplier.

(e) On or before January 1, 1998, the Energy Commission shall specify guidelines for the format and means for disclosure required

1 by Section 398.3 and this section, based on the requirements of
2 this article and subject to public hearing.

3 (f) The costs of making the disclosures required by this section
4 shall be considered to be generation related.

5 (g) The disclosures required by this section shall comply with
6 the following:

7 (1) A retail supplier's disclosure of its electricity sources shall
8 be expressed as a percentage of annual sales derived from each of
9 the following categories:

10 (A) Unspecified sources of electricity.

11 (B) Specific purchases.

12 (2) A retail supplier's disclosure of its electricity sources shall
13 also separately identify total California system electricity, which
14 is the sum of all in-state generation and net electricity imports by
15 fuel type.

16 (h) Each of the categories specified in subdivision (g) shall be
17 additionally identified as a percentage of annual sales that is
18 derived from the following fuels or sources of energy:

19 (1) Coal.

20 (2) Large hydroelectric (greater than 30 megawatts).

21 (3) Natural gas.

22 (4) Nuclear.

23 (5) Eligible renewable energy resources pursuant to the
24 California Renewables Portfolio Standard Program (Article 16
25 (commencing with Section 399.11)), including any of the
26 following:

27 (A) Biomass and biowaste.

28 (B) Geothermal.

29 (C) Eligible hydroelectric.

30 (D) Solar.

31 (E) Wind.

32 (6) Other categories as determined by the Energy Commission.

33 (i) All electricity sources disclosed as specific purchases shall
34 meet the requirements of subdivision (c) of Section 398.2.

35 (j) Specific purchases identified pursuant to this section shall
36 be from sources connected to the Western Electricity Coordinating
37 Council interconnected grid.

38 (k) Compliance with this section by a local publicly owned
39 electric utility shall constitute compliance with paragraph (2) of
40 subdivision ~~(b)~~ (l) of Section ~~387~~ 399.30.

(l) The provisions of this section shall not apply to generators providing electric service onsite, under an over-the-fence transaction as described in Section 218, or to an affiliate or affiliates, as defined in subdivision (a) of Section 372.

SEC. 5. Section 399.20 of the Public Utilities Code is amended to read:

399.20. (a) It is the policy of this state and the intent of the Legislature to encourage electrical generation from eligible renewable energy resources.

(b) As used in this section, “electric generation facility” means an electric generation facility located within the service territory of, and developed to sell electricity to, an electrical corporation that meets all of the following criteria:

(1) Has an effective capacity of not more than three megawatts.

(2) Is interconnected and operates in parallel with the electrical transmission and distribution grid.

(3) Is strategically located and interconnected to the electrical transmission and distribution grid in a manner that optimizes the deliverability of electricity generated at the facility to load centers.

(4) Is an eligible renewable energy resource.

(c) Every electrical corporation shall file with the commission a standard tariff for electricity purchased from an electric generation facility. The commission may modify or adjust the requirements of this section for any electrical corporation with less than 100,000 service connections, as individual circumstances merit.

(d) (1) The tariff shall provide for payment for every kilowatthour of electricity purchased from an electric generation facility for a period of 10, 15, or 20 years, as authorized by the commission. The payment shall be the market price determined by the commission pursuant to paragraph (2) and shall include all current and anticipated environmental compliance costs, including, but not limited to, mitigation of emissions of greenhouse gases and air pollution offsets associated with the operation of new generating facilities in the local air pollution control or air quality management district where the electric generation facility is located.

(2) The commission shall establish a methodology to determine the market price of electricity for terms corresponding to the length

1 of contracts with an electric generation facility, in consideration
2 of the following:

3 (A) The long-term market price of electricity for fixed price
4 contracts, determined pursuant to an electrical corporation's general
5 procurement activities as authorized by the commission.

6 (B) The long-term ownership, operating, and fixed-price fuel
7 costs associated with fixed-price electricity from new generating
8 facilities.

9 (C) The value of different electricity products including
10 baseload, peaking, and as-available electricity.

11 (3) The commission may adjust the payment rate to reflect the
12 value of every kilowatthour of electricity generated on a
13 time-of-delivery basis.

14 (4) The commission shall ensure, with respect to rates and
15 charges, that ratepayers that do not receive service pursuant to the
16 tariff are indifferent to whether a ratepayer with an electric
17 generation facility receives service pursuant to the tariff.

18 (e) An electrical corporation shall provide expedited
19 interconnection procedures to an electric generation facility located
20 on a distribution circuit that generates electricity at a time and in
21 a manner so as to offset the peak demand on the distribution circuit,
22 if the electrical corporation determines that the electric generation
23 facility will not adversely affect the distribution grid. The
24 commission shall consider and may establish a value for an electric
25 generation facility located on a distribution circuit that generates
26 electricity at a time and in a manner so as to offset the peak demand
27 on the distribution circuit.

28 (f) An electrical corporation shall make the tariff available to
29 the owner or operator of an electric generation facility within the
30 service territory of the electrical corporation, upon request, on a
31 first-come-first-served basis, until the electrical corporation meets
32 its proportionate share of a statewide cap of 750 megawatts
33 cumulative rated generation capacity served under this section and
34 Section 387.6 399.32. The proportionate share shall be calculated
35 based on the ratio of the electrical corporation's peak demand
36 compared to the total statewide peak demand.

37 (g) The electrical corporation may make the terms of the tariff
38 available to owners and operators of an electric generation facility
39 in the form of a standard contract subject to commission approval.

(h) Every kilowatthour of electricity purchased from an electric generation facility shall count toward meeting the electrical corporation's renewables portfolio standard annual procurement targets for purposes of paragraph (1) of subdivision (b) of Section 399.15.

(i) The physical generating capacity of an electric generation facility shall count toward the electrical corporation's resource adequacy requirement for purposes of Section 380.

(j) (1) The commission shall establish performance standards for any electric generation facility that has a capacity greater than one megawatt to ensure that those facilities are constructed, operated, and maintained to generate the expected annual net production of electricity and do not impact system reliability.

(2) The commission may reduce the three megawatt capacity limitation of paragraph (1) of subdivision (b) if the commission finds that a reduced capacity limitation is necessary to maintain system reliability within that electrical corporation's service territory.

(k) (1) Any owner or operator of an electric generation facility that received ratepayer-funded incentives in accordance with Section 379.6 of this code, or with Section 25782 of the Public Resources Code, and participated in a net metering program pursuant to Sections 2827, 2827.9, and 2827.10 of this code prior to January 1, 2010, shall be eligible for a tariff or standard contract filed by an electrical corporation pursuant to this section.

(2) In establishing the tariffs or standard contracts pursuant to this section, the commission shall consider ratepayer-funded incentive payments previously received by the generation facility pursuant to Section 379.6 of this code or Section 25782 of the Public Resources Code. The commission shall require reimbursement of any funds received from these incentive programs to an electric generation facility, in order for that facility to be eligible for a tariff or standard contract filed by an electrical corporation pursuant to this section, unless the commission determines ratepayers have received sufficient value from the incentives provided to the facility based on how long the project has been in operation and the amount of renewable electricity previously generated by the facility.

1 (3) A customer that receives service under a tariff or contract
2 approved by the commission pursuant to this section is not eligible
3 to participate in any net metering program.

4 (l) An owner or operator of an electric generation facility
5 electing to receive service under a tariff or contract approved by
6 the commission shall continue to receive service under the tariff
7 or contract until either of the following occurs:

8 (1) The owner or operator of an electric generation facility no
9 longer meets the eligibility requirements for receiving service
10 pursuant to the tariff or contract.

11 (2) The period of service established by the commission pursuant
12 to subdivision (d) is completed.

13 (m) Within 10 days of receipt of a request for a tariff pursuant
14 to this section from an owner or operator of an electric generation
15 facility, the electrical corporation that receives the request shall
16 post a copy of the request on its Internet Web site. The information
17 posted on the Internet Web site shall include the name of the city
18 in which the facility is located, but information that is proprietary
19 and confidential, including, but not limited to, address information
20 beyond the name of the city in which the facility is located, shall
21 be redacted.

22 (n) An electrical corporation may deny a tariff request pursuant
23 to this section if the electrical corporation makes any of the
24 following findings:

25 (1) The electric generation facility does not meet the
26 requirements of this section.

27 (2) The transmission or distribution grid that would serve as the
28 point of interconnection is inadequate.

29 (3) The electric generation facility does not meet all applicable
30 state and local laws and building standards and utility
31 interconnection requirements.

32 (4) The aggregate of all electric generating facilities on a
33 distribution circuit would adversely impact utility operation and
34 load restoration efforts of the distribution system.

35 (o) Upon receiving a notice of denial from an electrical
36 corporation, the owner or operator of the electric generation facility
37 denied a tariff pursuant to this section shall have the right to appeal
38 that decision to the commission.

39 (p) In order to ensure the safety and reliability of electric
40 generation facilities, the owner of an electric generation facility

1 receiving a tariff pursuant to this section shall provide an inspection
2 and maintenance report to the electrical corporation at least once
3 every other year. The inspection and maintenance report shall be
4 prepared at the owner's or operator's expense by a
5 California-licensed contractor who is not the owner or operator of
6 the electric generation facility. A California-licensed electrician
7 shall perform the inspection of the electrical portion of the
8 generation facility.

9 (q) The contract between the electric generation facility
10 receiving the tariff and the electrical corporation shall contain
11 provisions that ensure that construction of the electric generating
12 facility complies with all applicable state and local laws and
13 building standards, and utility interconnection requirements.

14 (r) (1) All construction and installation of facilities of the
15 electrical corporation, including at the point of the output meter
16 or at the transmission or distribution grid, shall be performed only
17 by that electrical corporation.

18 (2) All interconnection facilities installed on the electrical
19 corporation's side of the transfer point for electricity between the
20 electrical corporation and the electrical conductors of the electric
21 generation facility shall be owned, operated, and maintained only
22 by the electrical corporation. The ownership, installation, operation,
23 reading, and testing of revenue metering equipment for electric
24 generating facilities shall only be performed by the electrical
25 corporation.

26 SEC. 6. Section 399.22 of the Public Utilities Code is amended
27 to read:

28 399.22. (a) For purposes of this section, "state agency" means
29 any state agency, board, department, or commission, including the
30 entities specified in subdivision (a) of Section 15814.12 of the
31 Government Code.

32 (b) A state agency generating electricity from an electric
33 generation facility, as defined in Section ~~387.6~~ *or 399.20 or 399.32*,
34 that operates under a tariff adopted pursuant to either of those
35 sections, and that is owned by, operated by, or on property under
36 the control of, the state agency shall take the total annual amount
37 of kilowatthours exported to the grid into consideration when
38 determining whether the state agency has achieved the policy goals
39 and objectives established by law for the state agency.

1 SEC. 7. Section 2775.6 of the Public Utilities Code is amended
2 to read:

3 2775.6. Every request for the recovery in rates of any costs or
4 liability incurred by a gas corporation and resulting from any
5 violation of Section ~~25241~~ 25421 of the Health and Safety Code,
6 or of any costs, damages, penalties, or other liabilities incurred in
7 connection with the sale of landfill gas containing chemicals known
8 to the state to cause cancer or reproductive toxicity shall be
9 reviewed by the commission for the purposes of establishing rates
10 for the gas corporation. If the commission finds that the gas
11 corporation, on or after January 1, 1989, knowingly and
12 intentionally violated Section ~~25241~~ 25421 of the Health and Safety
13 Code, the costs and liability shall be disallowed by the commission
14 for purposes of determining rates.

15 SEC. 8. Section 2827 of the Public Utilities Code is amended
16 to read:

17 2827. (a) The Legislature finds and declares that a program
18 to provide net energy metering combined with net surplus
19 compensation, co-energy metering, and wind energy co-metering
20 for eligible customer-generators is one way to encourage substantial
21 private investment in renewable energy resources, stimulate in-state
22 economic growth, reduce demand for electricity during peak
23 consumption periods, help stabilize California's energy supply
24 infrastructure, enhance the continued diversification of California's
25 energy resource mix, reduce interconnection and administrative
26 costs for electricity suppliers, and encourage conservation and
27 efficiency.

28 (b) As used in this section, the following terms have the
29 following meanings:

30 (1) "Co-energy metering" means a program that is the same in
31 all other respects as a net energy metering program, except that
32 the local publicly owned electric utility has elected to apply a
33 generation-to-generation energy and time-of-use credit formula
34 as provided in subdivision (i).

35 (2) "Electrical cooperative" means an electrical cooperative as
36 defined in Section 2776.

37 (3) "Electric utility" means an electrical corporation, a local
38 publicly owned electric utility, or an electrical cooperative, or any
39 other entity, except an electric service provider, that offers electrical
40 service. This section shall not apply to a local publicly owned

1 electric utility that serves more than 750,000 customers and that
2 also conveys water to its customers.

3 (4) “Eligible customer-generator” means a residential customer,
4 small commercial customer as defined in subdivision (h) of Section
5 331, or commercial, industrial, or agricultural customer of an
6 electric utility, who uses a renewable electrical generation facility,
7 or a combination of those facilities, with a total capacity of not
8 more than one megawatt, that is located on the customer’s owned,
9 leased, or rented premises, and is interconnected and operates in
10 parallel with the electric grid, and is intended primarily to offset
11 part or all of the customer’s own electrical requirements.

12 (5) “Renewable electrical generation facility” means a facility
13 that generates electricity from a renewable source listed in
14 paragraph (1) of subdivision (a) of Section 25741 of the Public
15 Resources Code. A small hydroelectric generation facility is not
16 an eligible renewable electrical generation facility if it will cause
17 an adverse impact on instream beneficial uses or cause a change
18 in the volume or timing of streamflow.

19 (6) “Net energy metering” means measuring the difference
20 between the electricity supplied through the electric grid and the
21 electricity generated by an eligible customer-generator and fed
22 back to the electric grid over a 12-month period as described in
23 subdivisions (c) and (h).

24 (7) “Net surplus customer-generator” means an eligible
25 customer-generator that generates more electricity during a
26 12-month period than is supplied by the electric utility to the
27 eligible customer-generator during the same 12-month period.

28 (8) “Net surplus electricity” means all electricity generated by
29 an eligible customer-generator measured in kilowatthours over a
30 12-month period that exceeds the amount of electricity consumed
31 by that eligible customer-generator.

32 (9) “Net surplus electricity compensation” means a per
33 kilowatthour rate offered by the electric utility to the net surplus
34 customer-generator for net surplus electricity that is set by the
35 ratemaking authority pursuant to subdivision (h).

36 (10) “Ratemaking authority” means, for an electrical
37 corporation, the commission, for an electrical cooperative, its
38 ratesetting body selected by its shareholders or members, and for
39 a local publicly owned electric utility, the local elected body
40 responsible for setting the rates of the local publicly owned utility.

1 (11) “Wind energy co-metering” means any wind energy project
2 greater than 50 kilowatts, but not exceeding one megawatt, where
3 the difference between the electricity supplied through the electric
4 grid and the electricity generated by an eligible customer-generator
5 and fed back to the electric grid over a 12-month period is as
6 described in subdivision (h). Wind energy co-metering shall be
7 accomplished pursuant to Section 2827.8.

8 (c) (1) Every electric utility shall develop a standard contract
9 or tariff providing for net energy metering, and shall make this
10 standard contract or tariff available to eligible customer-generators,
11 upon request, on a first-come-first-served basis until the time that
12 the total rated generating capacity used by eligible
13 customer-generators exceeds 5 percent of the electric utility’s
14 aggregate customer peak demand. Net energy metering shall be
15 accomplished using a single meter capable of registering the flow
16 of electricity in two directions. An additional meter or meters to
17 monitor the flow of electricity in each direction may be installed
18 with the consent of the eligible customer-generator, at the expense
19 of the electric utility, and the additional metering shall be used
20 only to provide the information necessary to accurately bill or
21 credit the eligible customer-generator pursuant to subdivision (h),
22 or to collect generating system performance information for
23 research purposes relative to a renewable electrical generation
24 facility. If the existing electrical meter of an eligible
25 customer-generator is not capable of measuring the flow of
26 electricity in two directions, the eligible customer-generator shall
27 be responsible for all expenses involved in purchasing and
28 installing a meter that is able to measure electricity flow in two
29 directions. If an additional meter or meters are installed, the net
30 energy metering calculation shall yield a result identical to that of
31 a single meter. An eligible customer-generator that is receiving
32 service other than through the standard contract or tariff may elect
33 to receive service through the standard contract or tariff until the
34 electric utility reaches the generation limit set forth in this
35 paragraph. Once the generation limit is reached, only eligible
36 customer-generators that had previously elected to receive service
37 pursuant to the standard contract or tariff have a right to continue
38 to receive service pursuant to the standard contract or tariff.
39 Eligibility for net energy metering does not limit an eligible
40 customer-generator’s eligibility for any other rebate, incentive, or

1 credit provided by the electric utility, or pursuant to any
2 governmental program, including rebates and incentives provided
3 pursuant to the California Solar Initiative.

4 (2) An electrical corporation shall include a provision in the net
5 energy metering contract or tariff requiring that any customer with
6 an existing electrical generating facility and meter who enters into
7 a new net energy metering contract shall provide an inspection
8 report to the electrical corporation, unless the electrical generating
9 facility and meter have been installed or inspected within the
10 previous three years. The inspection report shall be prepared by a
11 ~~California-licensed~~ *California-licensed* contractor who is not the
12 owner or operator of the facility and meter. A ~~California-licensed~~
13 *California-licensed* electrician shall perform the inspection of the
14 electrical portion of the facility and meter.

15 (3) (A) On an annual basis, every electric utility shall make
16 available to the ratemaking authority information on the total rated
17 generating capacity used by eligible customer-generators that are
18 customers of that provider in the provider's service area and the
19 net surplus electricity purchased by the electric utility pursuant to
20 this section.

21 (B) An electric service provider operating pursuant to Section
22 394 shall make available to the ratemaking authority the
23 information required by this paragraph for each eligible
24 customer-generator that is their customer for each service area of
25 an electrical corporation, local publicly owned electrical utility,
26 or electrical cooperative, in which the eligible customer-generator
27 has net energy metering.

28 (C) The ratemaking authority shall develop a process for making
29 the information required by this paragraph available to electric
30 utilities, and for using that information to determine when, pursuant
31 to paragraphs (1) and (4), an electric utility is not obligated to
32 provide net energy metering to additional eligible
33 customer-generators in its service area.

34 (4) An electric utility is not obligated to provide net energy
35 metering to additional eligible customer-generators in its service
36 area when the combined total peak demand of all electricity used
37 by eligible customer-generators served by all the electric utilities
38 in that service area furnishing net energy metering to eligible
39 customer-generators exceeds 5 percent of the aggregate customer
40 peak demand of those electric utilities.

1 (d) Every electric utility shall make all necessary forms and
2 contracts for net energy metering and net surplus electricity
3 compensation service available for download from ~~the~~ *an* Internet
4 *Web site*.

5 (e) (1) Every electric utility shall ensure that requests for
6 establishment of net energy metering and net surplus electricity
7 compensation are processed in a time period not exceeding that
8 for similarly situated customers requesting new electric service,
9 but not to exceed 30 working days from the date it receives a
10 completed application form for net energy metering service or net
11 surplus electricity compensation, including a signed interconnection
12 agreement from an eligible customer-generator and the electric
13 inspection clearance from the governmental authority having
14 jurisdiction.

15 (2) Every electric utility shall ensure that requests for an
16 interconnection agreement from an eligible customer-generator
17 are processed in a time period not to exceed 30 working days from
18 the date it receives a completed application form from the eligible
19 customer-generator for an interconnection agreement.

20 (3) If an electric utility is unable to process a request within the
21 allowable timeframe pursuant to paragraph (1) or (2), it shall notify
22 the eligible customer-generator and the ratemaking authority of
23 the reason for its inability to process the request and the expected
24 completion date.

25 (f) (1) If a customer participates in direct transactions pursuant
26 to paragraph (1) of subdivision (b) of Section 365, or Section 365.1,
27 with an electric service provider that does not provide distribution
28 service for the direct transactions, the electric utility that provides
29 distribution service for the eligible customer-generator is not
30 obligated to provide net energy metering or net surplus electricity
31 compensation to the customer.

32 (2) If a customer participates in direct transactions pursuant to
33 paragraph (1) of subdivision (b) of Section 365 with an electric
34 service provider, and the customer is an eligible
35 customer-generator, the electric utility that provides distribution
36 service for the direct transactions may recover from the customer's
37 electric service provider the incremental costs of metering and
38 billing service related to net energy metering and net surplus
39 electricity compensation in an amount set by the ratemaking
40 authority.

1 (g) Except for the time-variant kilowatthour pricing portion of
2 any tariff adopted by the commission pursuant to paragraph (4) of
3 subdivision (a) of Section 2851, each net energy metering contract
4 or tariff shall be identical, with respect to rate structure, all retail
5 rate components, and any monthly charges, to the contract or tariff
6 to which the same customer would be assigned if the customer did
7 not use a renewable electrical generation facility, except that
8 eligible customer-generators shall not be assessed standby charges
9 on the electrical generating capacity or the kilowatthour production
10 of a renewable electrical generation facility. The charges for all
11 retail rate components for eligible customer-generators shall be
12 based exclusively on the customer-generator's net kilowatthour
13 consumption over a 12-month period, without regard to the eligible
14 customer-generator's choice as to from whom it purchases
15 electricity that is not self-generated. Any new or additional demand
16 charge, standby charge, customer charge, minimum monthly
17 charge, interconnection charge, or any other charge that would
18 increase an eligible customer-generator's costs beyond those of
19 other customers who are not eligible customer-generators in the
20 rate class to which the eligible customer-generator would otherwise
21 be assigned if the customer did not own, lease, rent, or otherwise
22 operate a renewable electrical generation facility is contrary to the
23 intent of this section, and shall not form a part of net energy
24 metering contracts or tariffs.

25 (h) For eligible customer-generators, the net energy metering
26 calculation shall be made by measuring the difference between
27 the electricity supplied to the eligible customer-generator and the
28 electricity generated by the eligible customer-generator and fed
29 back to the electric grid over a 12-month period. The following
30 rules shall apply to the annualized net metering calculation:

31 (1) The eligible residential or small commercial
32 customer-generator, at the end of each 12-month period following
33 the date of final interconnection of the eligible
34 customer-generator's system with an electric utility, and at each
35 anniversary date thereafter shall, be billed for electricity used
36 during that 12-month period. The electric utility shall determine
37 if the eligible residential or small commercial customer-generator
38 was a net consumer or a net surplus customer-generator during
39 that period.

1 (2) At the end of each 12-month period, where the electricity
2 supplied during the period by the electric utility exceeds the
3 electricity generated by the eligible residential or small commercial
4 customer-generator during that same period, the eligible residential
5 or small commercial customer-generator is a net electricity
6 consumer and the electric utility shall be owed compensation for
7 the eligible customer-generator's net kilowatthour consumption
8 over that 12-month period. The compensation owed for the eligible
9 residential or small commercial customer-generator's consumption
10 shall be calculated as follows:

11 (A) For all eligible customer-generators taking service under
12 contracts or tariffs employing "baseline" and "over baseline" rates,
13 any net monthly consumption of electricity shall be calculated
14 according to the terms of the contract or tariff to which the same
15 customer would be assigned to, or be eligible for, if the customer
16 was not an eligible customer-generator. If those same
17 customer-generators are net generators over a billing period, the
18 net kilowatthours generated shall be valued at the same price per
19 kilowatthour as the electric utility would charge for the baseline
20 quantity of electricity during that billing period, and if the number
21 of kilowatthours generated exceeds the baseline quantity, the excess
22 shall be valued at the same price per kilowatthour as the electric
23 utility would charge for electricity over the baseline quantity during
24 that billing period.

25 (B) For all eligible customer-generators taking service under
26 contracts or tariffs employing time-of-use rates, any net monthly
27 consumption of electricity shall be calculated according to the
28 terms of the contract or tariff to which the same customer would
29 be assigned, or be eligible for, if the customer was not an eligible
30 customer-generator. When those same customer-generators are
31 net generators during any discrete time-of-use period, the net
32 kilowatthours produced shall be valued at the same price per
33 kilowatthour as the electric utility would charge for retail
34 kilowatthour sales during that same time-of-use period. If the
35 eligible customer-generator's time-of-use electrical meter is unable
36 to measure the flow of electricity in two directions, paragraph (1)
37 of subdivision (c) shall apply.

38 (C) For all eligible residential and small commercial
39 customer-generators and for each billing period, the net balance
40 of moneys owed to the electric utility for net consumption of

1 electricity or credits owed to the eligible customer-generator for
2 net generation of electricity shall be carried forward as a monetary
3 value until the end of each 12-month period. For all eligible
4 commercial, industrial, and agricultural customer-generators, the
5 net balance of moneys owed shall be paid in accordance with the
6 electric utility's normal billing cycle, except that if the eligible
7 commercial, industrial, or agricultural customer-generator is a net
8 electricity producer over a normal billing cycle, any excess
9 kilowatthours generated during the billing cycle shall be carried
10 over to the following billing period as a monetary value, calculated
11 according to the procedures set forth in this section, and appear as
12 a credit on the eligible commercial, industrial, or agricultural
13 customer-generator's account, until the end of the annual period
14 when paragraph (3) shall apply.

15 (3) At the end of each 12-month period, where the electricity
16 generated by the eligible customer-generator during the 12-month
17 period exceeds the electricity supplied by the electric utility during
18 that same period, the eligible customer-generator is a net surplus
19 customer-generator and the electric utility, upon an affirmative
20 election by the net surplus customer-generator, shall either (A)
21 provide net surplus electricity compensation for any net surplus
22 electricity generated during the prior 12-month period, or (B) allow
23 the net surplus customer-generator to apply the net surplus
24 electricity as a credit for kilowatthours subsequently supplied by
25 the electric utility to the net surplus customer-generator. For an
26 eligible customer-generator that does not affirmatively elect to
27 receive service pursuant to net surplus electricity compensation,
28 the electric utility shall retain any excess kilowatthours generated
29 during the prior 12-month period. The eligible customer-generator
30 not affirmatively electing to receive service pursuant to net surplus
31 electricity compensation shall not be owed any compensation for
32 the net surplus electricity unless the electric utility enters into a
33 purchase agreement with the eligible customer-generator for those
34 excess kilowatthours. Every electric utility shall provide notice to
35 eligible customer-generators that they are eligible to receive net
36 surplus electricity compensation for net surplus electricity, that
37 they must elect to receive net surplus electricity compensation,
38 and that the 12-month period commences when the electric utility
39 receives the eligible customer-generator's election. For an electric
40 utility that is an electrical corporation or electrical cooperative,

1 the commission may adopt requirements for providing notice and
2 the manner by which eligible customer-generators may elect to
3 receive net surplus electricity compensation.

4 (4) (A) The ratemaking authority shall establish a net surplus
5 electricity compensation valuation to compensate the net surplus
6 customer-generator for the value of net surplus electricity generated
7 by the net surplus customer-generator. The commission shall
8 establish the valuation in a ratemaking proceeding. The ratemaking
9 authority for a local publicly owned electric utility shall establish
10 the valuation in a public proceeding. The net surplus electricity
11 compensation valuation shall be established so as to provide the
12 net surplus customer-generator just and reasonable compensation
13 for the value of net surplus electricity, while leaving other
14 ratepayers unaffected. The ratemaking authority shall determine
15 whether the compensation will include, where appropriate
16 justification exists, either or both of the following components:

17 (i) The value of the electricity itself.

18 (ii) The value of the renewable attributes of the electricity.

19 (B) In establishing the rate pursuant to subparagraph (A), the
20 ratemaking authority shall ensure that the rate does not result in a
21 shifting of costs between eligible customer-generators and other
22 bundled service customers.

23 (5) (A) Upon adoption of the net surplus electricity
24 compensation rate by the ratemaking authority, any renewable
25 energy credit, as defined in Section 399.12, for net surplus
26 electricity purchased by the electric utility shall belong to the
27 electric utility. Any renewable energy credit associated with
28 electricity generated by the eligible customer-generator that is
29 utilized by the eligible customer-generator shall remain the property
30 of the eligible customer-generator.

31 (B) Upon adoption of the net surplus electricity compensation
32 rate by the ratemaking authority, the net surplus electricity
33 purchased by the electric utility shall count toward the electric
34 utility's renewables portfolio standard annual procurement targets
35 for the purposes of paragraph (1) of subdivision (b) of Section
36 399.15, or for a local publicly owned electric utility, the renewables
37 portfolio standard annual procurement targets established pursuant
38 to Section ~~387~~ 399.30.

39 (6) The electric utility shall provide every eligible residential
40 or small commercial customer-generator with net electricity

1 consumption and net surplus electricity generation information
2 with each regular bill. That information shall include the current
3 monetary balance owed the electric utility for net electricity
4 consumed, or the net surplus electricity generated, since the last
5 12-month period ended. Notwithstanding this subdivision, an
6 electric utility shall permit that customer to pay monthly for net
7 energy consumed.

8 (7) If an eligible residential or small commercial
9 customer-generator terminates the customer relationship with the
10 electric utility, the electric utility shall reconcile the eligible
11 customer-generator's consumption and production of electricity
12 during any part of a 12-month period following the last
13 reconciliation, according to the requirements set forth in this
14 subdivision, except that those requirements shall apply only to the
15 months since the most recent 12-month bill.

16 (8) If an electric service provider or electric utility providing
17 net energy metering to a residential or small commercial
18 customer-generator ceases providing that electric service to that
19 customer during any 12-month period, and the customer-generator
20 enters into a new net energy metering contract or tariff with a new
21 electric service provider or electric utility, the 12-month period,
22 with respect to that new electric service provider or electric utility,
23 shall commence on the date on which the new electric service
24 provider or electric utility first supplies electric service to the
25 customer-generator.

26 (i) Notwithstanding any other provisions of this section,
27 paragraphs (1), (2), and (3) shall apply to an eligible
28 customer-generator with a capacity of more than 10 kilowatts, but
29 not exceeding one megawatt, that receives electric service from a
30 local publicly owned electric utility that has elected to utilize a
31 co-energy metering program unless the local publicly owned
32 electric utility chooses to provide service for eligible
33 customer-generators with a capacity of more than 10 kilowatts in
34 accordance with subdivisions (g) and (h):

35 (1) The eligible customer-generator shall be required to utilize
36 a meter, or multiple meters, capable of separately measuring
37 electricity flow in both directions. All meters shall provide
38 time-of-use measurements of electricity flow, and the customer
39 shall take service on a time-of-use rate schedule. If the existing
40 meter of the eligible customer-generator is not a time-of-use meter

1 or is not capable of measuring total flow of electricity in both
2 directions, the eligible customer-generator shall be responsible for
3 all expenses involved in purchasing and installing a meter that is
4 both time-of-use and able to measure total electricity flow in both
5 directions. This subdivision shall not restrict the ability of an
6 eligible customer-generator to utilize any economic incentives
7 provided by a governmental agency or an electric utility to reduce
8 its costs for purchasing and installing a time-of-use meter.

9 (2) The consumption of electricity from the local publicly owned
10 electric utility shall result in a cost to the eligible
11 customer-generator to be priced in accordance with the standard
12 rate charged to the eligible customer-generator in accordance with
13 the rate structure to which the customer would be assigned if the
14 customer did not use a renewable electrical generation facility.
15 The generation of electricity provided to the local publicly owned
16 electric utility shall result in a credit to the eligible
17 customer-generator and shall be priced in accordance with the
18 generation component, established under the applicable structure
19 to which the customer would be assigned if the customer did not
20 use a renewable electrical generation facility.

21 (3) All costs and credits shall be shown on the eligible
22 customer-generator's bill for each billing period. In any months
23 in which the eligible customer-generator has been a net consumer
24 of electricity calculated on the basis of value determined pursuant
25 to paragraph (2), the customer-generator shall owe to the local
26 publicly owned electric utility the balance of electricity costs and
27 credits during that billing period. In any billing period in which
28 the eligible customer-generator has been a net producer of
29 electricity calculated on the basis of value determined pursuant to
30 paragraph (2), the local publicly owned electric utility shall owe
31 to the eligible customer-generator the balance of electricity costs
32 and credits during that billing period. Any net credit to the eligible
33 customer-generator of electricity costs may be carried forward to
34 subsequent billing periods, provided that a local publicly owned
35 electric utility may choose to carry the credit over as a kilowatthour
36 credit consistent with the provisions of any applicable contract or
37 tariff, including any differences attributable to the time of
38 generation of the electricity. At the end of each 12-month period,
39 the local publicly owned electric utility may reduce any net credit
40 due to the eligible customer-generator to zero.

(j) A renewable electrical generation facility used by an eligible customer-generator shall meet all applicable safety and performance standards established by the National Electrical Code, the Institute of Electrical and Electronics Engineers, and accredited testing laboratories, including Underwriters Laboratories Incorporated and, where applicable, rules of the commission regarding safety and reliability. A customer-generator whose renewable electrical generation facility meets those standards and rules shall not be required to install additional controls, perform or pay for additional tests, or purchase additional liability insurance.

(k) If the commission determines that there are cost or revenue obligations for an electrical corporation that may not be recovered from customer-generators acting pursuant to this section, those obligations shall remain within the customer class from which any shortfall occurred and shall not be shifted to any other customer class. Net energy metering and co-energy metering customers shall not be exempt from the public goods charges imposed pursuant to Article 7 (commencing with Section 381), Article 8 (commencing with Section 385), or Article 15 (commencing with Section 399) of Chapter 2.3 of Part 1.

(l) A net energy metering, co-energy metering, or wind energy co-metering customer shall reimburse the Department of Water Resources for all charges that would otherwise be imposed on the customer by the commission to recover bond-related costs pursuant to an agreement between the commission and the Department of Water Resources pursuant to Section 80110 of the Water Code, as well as the costs of the department equal to the share of the department's estimated net unavoidable power purchase contract costs attributable to the customer. The commission shall incorporate the determination into an existing proceeding before the commission, and shall ensure that the charges are nonbypassable. Until the commission has made a determination regarding the nonbypassable charges, net energy metering, co-energy metering, and wind energy co-metering shall continue under the same rules, procedures, terms, and conditions as were applicable on December 31, 2002.

(m) In implementing the requirements of subdivisions (k) and (l), an eligible customer-generator shall not be required to replace its existing meter except as set forth in paragraph (1) of subdivision

1 (c), nor shall the electric utility require additional measurement of
2 usage beyond that which is necessary for customers in the same
3 rate class as the eligible customer-generator.

4 (n) It is the intent of the Legislature that the Treasurer
5 incorporate net energy metering, including net surplus electricity
6 compensation, co-energy metering, and wind energy co-metering
7 projects undertaken pursuant to this section as sustainable building
8 methods or distributive energy technologies for purposes of
9 evaluating low-income housing projects.

10 SEC. 9. Section 2851 of the Public Utilities Code is amended
11 to read:

12 2851. (a) In implementing the California Solar Initiative, the
13 commission shall do all of the following:

14 (1) The commission shall authorize the award of monetary
15 incentives for up to the first megawatt of alternating current
16 generated by solar energy systems that meet the eligibility criteria
17 established by the State Energy Resources Conservation and
18 Development Commission pursuant to Chapter 8.8 (commencing
19 with Section 25780) of Division 15 of the Public Resources Code.
20 The commission shall determine the eligibility of a solar energy
21 system, as defined in Section 25781 of the Public Resources Code,
22 to receive monetary incentives until the time the State Energy
23 Resources Conservation and Development Commission establishes
24 eligibility criteria pursuant to Section 25782. Monetary incentives
25 shall not be awarded for solar energy systems that do not meet the
26 eligibility criteria. The incentive level authorized by the
27 commission shall decline each year following implementation of
28 the California Solar Initiative, at a rate of no less than an average
29 of 7 percent per year, and shall be zero as of December 31, 2016.
30 The commission shall adopt and publish a schedule of declining
31 incentive levels no less than 30 days in advance of the first decline
32 in incentive levels. The commission may develop incentives based
33 upon the output of electricity from the system, provided those
34 incentives are consistent with the declining incentive levels of this
35 paragraph and the incentives apply to only the first megawatt of
36 electricity generated by the system.

37 (2) The commission shall adopt a performance-based incentive
38 program so that by January 1, 2008, 100 percent of incentives for
39 solar energy systems of 100 kilowatts or greater and at least 50
40 percent of incentives for solar energy systems of 30 kilowatts or

1 greater are earned based on the actual electrical output of the solar
2 energy systems. The commission shall encourage, and may require,
3 performance-based incentives for solar energy systems of less than
4 30 kilowatts. Performance-based incentives shall decline at a rate
5 of no less than an average of 7 percent per year. In developing the
6 performance-based incentives, the commission may:

7 (A) Apply performance-based incentives only to customer
8 classes designated by the commission.

9 (B) Design the performance-based incentives so that customers
10 may receive a higher level of incentives than under incentives
11 based on installed electrical capacity.

12 (C) Develop financing options that help offset the installation
13 costs of the solar energy system, provided that this financing is
14 ultimately repaid in full by the consumer or through the application
15 of the performance-based rebates.

16 (3) By January 1, 2008, the commission, in consultation with
17 the State Energy Resources Conservation and Development
18 Commission, shall require reasonable and cost-effective energy
19 efficiency improvements in existing buildings as a condition of
20 providing incentives for eligible solar energy systems, with
21 appropriate exemptions or limitations to accommodate the limited
22 financial resources of low-income residential housing.

23 (4) Notwithstanding subdivision (g) of Section 2827, the
24 commission may develop a time-variant tariff that creates the
25 maximum incentive for ratepayers to install solar energy systems
26 so that the system's peak electricity production coincides with
27 California's peak electricity demands and that ensures that
28 ratepayers receive due value for their contribution to the purchase
29 of solar energy systems and customers with solar energy systems
30 continue to have an incentive to use electricity efficiently. In
31 developing the time-variant tariff, the commission may exclude
32 customers participating in the tariff from the rate cap for residential
33 customers for existing baseline quantities or usage by those
34 customers of up to 130 percent of existing baseline quantities, as
35 required by Section 80110 of the Water Code. Nothing in this
36 paragraph authorizes the commission to require time-variant pricing
37 for ratepayers without a solar energy system.

38 (b) Notwithstanding subdivision (a), in implementing the
39 California Solar Initiative, the commission may authorize the award
40 of monetary incentives for solar thermal and solar water heating

1 devices, in a total amount up to one hundred million eight hundred
2 thousand dollars (\$100,800,000).

3 (c) (1) In implementing the California Solar Initiative, the
4 commission shall not allocate more than fifty million dollars
5 (\$50,000,000) to research, development, and demonstration that
6 explores solar technologies and other distributed generation
7 technologies that employ or could employ solar energy for
8 generation or storage of electricity or to offset natural gas usage.
9 Any program that allocates additional moneys to research,
10 development, and demonstration shall be developed in
11 collaboration with the Energy Commission to ensure there is no
12 duplication of efforts, and adopted by the commission through a
13 rulemaking or other appropriate public proceeding. Any grant
14 awarded by the commission for research, development, and
15 demonstration shall be approved by the full commission at a public
16 meeting. This subdivision does not prohibit the commission from
17 continuing to allocate moneys to research, development, and
18 demonstration pursuant to the self-generation incentive program
19 for distributed generation resources originally established pursuant
20 to Chapter 329 of the Statutes of 2000, as modified pursuant to
21 Section 379.6.

22 (2) The Legislature finds and declares that a program that
23 provides a stable source of monetary incentives for eligible solar
24 energy systems will encourage private investment sufficient to
25 make solar technologies cost effective.

26 (3) On or before June 30, 2009, and by June 30th of every year
27 thereafter, the commission shall submit to the Legislature an
28 assessment of the success of the California Solar Initiative program.
29 That assessment shall include the number of residential and
30 commercial sites that have installed solar thermal devices for which
31 an award was made pursuant to subdivision (b) and the dollar value
32 of the award, the number of residential and commercial sites that
33 have installed solar energy systems, the electrical generating
34 capacity of the installed solar energy systems, the cost of the
35 program, total electrical system benefits, including the effect on
36 electrical service rates, environmental benefits, how the program
37 affects the operation and reliability of the electrical grid, how the
38 program has affected peak demand for electricity, the progress
39 made toward reaching the goals of the program, whether the
40 program is on schedule to meet the program goals, and

1 recommendations for improving the program to meet its goals. If
2 the commission allocates additional moneys to research,
3 development, and demonstration that explores solar technologies
4 and other distributed generation technologies pursuant to paragraph
5 (1), the commission shall include in the assessment submitted to
6 the Legislature, a description of the program, a summary of each
7 award made or project funded pursuant to the program, including
8 the intended purposes to be achieved by the particular award or
9 project, and the results of each award or project.

10 (d) (1) The commission shall not impose any charge upon the
11 consumption of natural gas, or upon natural gas ratepayers, to fund
12 the California Solar Initiative.

13 (2) Notwithstanding any other provision of law, any charge
14 imposed to fund the program adopted and implemented pursuant
15 to this section shall be imposed upon all customers not participating
16 in the California Alternate Rates for Energy (CARE) or family
17 electric rate assistance (FERA) programs, including those
18 residential customers subject to the rate cap required by Section
19 80110 of the Water Code for existing baseline quantities or usage
20 up to 130 percent of existing baseline quantities of electricity.

21 (3) The costs of the program adopted and implemented pursuant
22 to this section may not be recovered from customers participating
23 in the California Alternate Rates for Energy or CARE program
24 established pursuant to Section 739.1, except to the extent that
25 program costs are recovered out of the nonbypassable system
26 benefits charge authorized pursuant to Section 399.8.

27 (e) In implementing the California Solar Initiative, the
28 commission shall ensure that the total cost over the duration of the
29 program does not exceed three billion five hundred fifty million
30 eight hundred thousand dollars (\$3,550,800,000). The financial
31 components of the California Solar Initiative shall consist of the
32 following:

33 (1) Programs under the supervision of the commission funded
34 by charges collected from customers of San Diego Gas and Electric
35 Company, Southern California Edison Company, and Pacific Gas
36 and Electric Company. The total cost over the duration of these
37 programs shall not exceed two billion three hundred sixty-six
38 million eight hundred thousand dollars (\$2,366,800,000) and
39 includes moneys collected directly into a tracking account for
40 support of the California Solar Initiative and moneys collected

1 into other accounts that are used to further the goals of the
2 California Solar Initiative.

3 (2) Programs adopted, implemented, and financed in the amount
4 of seven hundred eighty-four million dollars (\$784,000,000), by
5 charges collected by local publicly owned electric utilities pursuant
6 to ~~Section 387.5~~ 2854. Nothing in this subdivision shall give the
7 commission power and jurisdiction with respect to a local publicly
8 owned electric utility or its customers.

9 (3) Programs for the installation of solar energy systems on new
10 construction, administered by the State Energy Resources
11 Conservation and Development Commission pursuant to Chapter
12 8.6 (commencing with Section 25740) of Division 15 of the Public
13 Resources Code, and funded by nonbypassable charges in the
14 amount of four hundred million dollars (\$400,000,000), collected
15 from customers of San Diego Gas and Electric Company, Southern
16 California Edison Company, and Pacific Gas and Electric Company
17 pursuant to Article 15 (commencing with Section 399).